

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re: W.R. GRACE & CO., <i>et al.</i>, Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (KJC)
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**FEE AUDITOR'S FINAL REPORT REGARDING THE FINAL APPLICATION OF
LATHAM & WATKINS LLP FOR COMPENSATION AND FOR REIMBURSEMENT
OF EXPENSES FOR DECEMBER 1, 2003 THROUGH JULY 31, 2008**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Final Application of Latham & Watkins LLP for Compensation and for Reimbursement of Expenses for December 1, 2003 through July 31, 2008 (the "Application").

BACKGROUND

1. Latham & Watkins LLP ("Latham & Watkins") was retained as special environmental counsel and special tax counsel to the Debtors. In the Application, Latham & Watkins seeks final approval of fees totaling \$748,745.20¹ and expenses totaling \$19,992.80² for its services from

¹We note that the total of the fees requested in Latham & Watkins' 15 prior fee applications is \$778,535.00. The Court ordered no reductions for the prior interim periods, which periods are discussed in more detail in paragraph 4, nevertheless, Latham & Watkins seeks approval of only \$748,745.20. We note that the Court has ruled on the First through Fifty-First Interim Periods, but no ruling has been made on the Fifty-Second Interim Period.

²We note that the total of the expenses requested in Latham & Watkins' 15 prior fee applications is \$20,137.57. It appears that Latham & Watkins has deducted from this amount all of the reductions ordered by the Court for the prior periods, which periods are discussed in more detail in paragraph 4, to arrive at the figure it seeks of \$19,992.80. We note that the Court has ruled on the First through Fifty-First Interim Periods, but no ruling has been made on the Fifty-Second Interim Period.

December 1, 2003 through July 31, 2008 (the “Final Application Period”).

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2014, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We emailed an inquiry to Latham & Watkins based upon our review, and we received a response from Latham & Watkins, portions of which response are quoted herein.

DISCUSSION

Final Application Period

3. We noted that Latham & Watkins had requested final approval of fees totaling \$748,745.20, however, we calculated Latham & Watkins’ final fees at \$767,200.50, for a difference of \$18,455.30. In addition, we noted that Latham & Watkins had requested final approval of expenses totaling \$19,992.80, however, we calculated Latham & Watkins’ final expenses at \$20,102.32, for a difference of \$109.52. We provided our calculations to Latham & Watkins, and Latham & Watkins responded: “We agree with your numbers...” Accordingly, we recommend that Latham & Watkins’ final fee request be increased by \$18,455.30 and its final expense request be

increased by \$109.52.³

Prior Interim Applications

4. We note that we previously filed the following final reports for Latham & Watkins' prior interim applications, which final reports we incorporate by reference herein, and we also note the following orders that ruled on Latham & Watkins' prior interim fee applications:

13th Period: Fee Auditor's Final Report Regarding Fee Application of Latham & Watkins LLP for the Thirteenth Interim Period (Docket #6979) filed on or about November 18, 2004, in which we recommended approval of fees totaling \$211,719.00 and expenses totaling \$6,892.25, reflecting our recommended reduction of \$35.25 in expenses, as further explained in paragraph 4 of that final report. These recommendations were adopted in the Order Approving Quarterly Fee Applications for the Thirteenth Period, dated January 26, 2005 (Docket #7622).

14th Period: Fee Auditor's Combined Final Report Regarding Those Fee Applications with No Fee or Expense Issues for the Fourteenth Interim Period (Docket #7982), filed on or about March 8, 2005, in which we recommended approval of fees totaling \$93,064.00 and expenses totaling \$5,400.76. These recommendations were adopted in the Order Approving Quarterly Fee Applications for the Fourteenth Period, dated March 22, 2005 (Docket

³We would ordinarily not recommend approval of an amount greater than that requested by the applicant. However, we note that the additional fee and expense amounts which we have recommended were previously approved by the Court. Thus, provided the Court and the U.S. Trustee have no objection, we recommend final approval of the additional fees and expenses.

#8081).

15th Period: Fee Auditor's Combined Final Report Regarding Those Fee Applications with No Fee or Expense Issues for the Fifteenth Interim Period (Docket #8561), filed on or about June 6, 2005, in which we recommended approval of fees totaling \$103,141.00 and expenses totaling \$4,617.85. These recommendations were adopted in the Order Approving Quarterly Fee Applications for the Fifteenth Period, dated June 29, 2005 (Docket #8728).

16th Period: Fee Auditor's Combined Final Report Regarding Those Fee Applications with No Fee or Expense Issues for the Sixteenth Interim Period (Docket #9387), filed on or about September 12, 2005, in which we recommended approval of fees totaling \$85,502.50 and expenses totaling \$1,103.82. These recommendations were adopted in the Order Approving Quarterly Fee Applications for the Sixteenth Period, dated September 27, 2005 (Docket #9513).

17th Period: Fee Auditor's Combined Final Report Regarding Those Fee Applications with No Fee or Expense Issues for the Seventeenth Interim Period (Docket #11168), filed on or about November 28, 2005, in which we recommended approval of fees totaling \$52,528.00 and expenses totaling \$1,882.24. These recommendations were adopted in the Order Approving Quarterly Fee Applications for the Seventeenth Period, dated December 21, 2005 (Docket #11402).

18th Period: Fee Auditor's Combined Final Report Regarding Those Fee Applications

with No Fee or Expense Issues for the Eighteenth Interim Period (Docket #12019), filed on or about March 9, 2006, in which we recommended approval of fees totaling \$2,827.00 and expenses totaling \$53.28. These recommendations were adopted in the Order Approving Quarterly Fee Applications for the Eighteenth Period, dated March 27, 2006 (Docket #12121).

21st Period: Fee Auditor's Combined Final Report Regarding Those Fee Applications with No Fee or Expense Issues for the Twenty-First Interim Period (Docket #13963), filed on or about December 8, 2006, in which we recommended approval of fees totaling \$16,407.50. This recommendation was adopted in the Order Approving Quarterly Fee Applications for the Twenty-First Period, dated December 19, 2006 (Docket #14069).

22nd Period: Fee Auditor's Combined Final Report Regarding Those Fee Applications with No Fee or Expense Issues for the Twenty-Second Interim Period (Docket #14868), filed on or about March 15, 2007, in which we recommended approval of fees totaling \$49,194.50 and expenses totaling \$46.58. These recommendations were adopted in the Order Approving Quarterly Fee Applications for the Twenty-Second Period, dated May 3, 2007 (Docket #15494).

23rd Period: Fee Auditor's Amended Combined Final Report Regarding Those Fee Applications with No Fee or Expense Issues for the Twenty-Third Interim Period (Docket #16037), filed on or about June 13, 2007, in which we

recommended approval of fees totaling \$7,766.00 and expenses totaling \$4.34. These recommendations were adopted in the Order Approving Quarterly Fee Applications for the Twenty-Third Period, dated June 20, 2007 (Docket #16105).

24th Period: Fee Auditor's Combined Final Report Regarding Those Fee Applications with No Fee or Expense Issues for the Twenty-Fourth Interim Period (Docket #16786), filed on or about September 10, 2007, in which we recommended approval of fees totaling \$32,095.00 and expenses totaling \$31.16. These recommendations were adopted in the Order Approving Quarterly Fee Applications for the Twenty-Fourth Period, dated September 25, 2007 (Docket #16916).

25th Period: Fee Auditor's Combined Final Report Regarding Those Fee Applications with No Fee or Expense Issues for the Twenty-Fifth Interim Period (Docket #17542), filed on or about December 4, 2007, in which we recommended approval of fees totaling \$26,461.00 and expenses totaling \$69.57. These recommendations were adopted in the Order Approving Quarterly Fee Applications for the Twenty-Fifth Period, dated December 13, 2007 (Docket #17629).

26th Period: Fee Auditor's Combined Final Report Regarding Those Fee Applications with No Fee or Expense Issues for the Twenty-Seventh Interim Period (Docket #18887), filed on or about June 9, 2008, in which we recommended approval of fees totaling \$4,998.00. This recommendation was adopted in the

Order Approving Quarterly Fee Applications for the Twenty-Seventh Period, dated June 23, 2008 (Docket #18989).

27th Period: Fee Auditor's Combined Final Report Regarding Those Fee Applications with No Fee or Expense Issues for the Twenty-Seventh Interim Period (Docket #18887), filed on or about June 9, 2008, in which we recommended approval of fees totaling \$31,147.50. This recommendation was adopted in the Order Approving Quarterly Fee Applications for the Twenty-Seventh Period, dated June 23, 2008 (Docket #18989).

28th Period: Fee Auditor's Combined Final Report Regarding Those Fee Applications with No Fee or Expense Issues for the Twenty-Eighth Interim Period (Docket #19535), filed on or about September 15, 2008, in which we recommended approval of fees totaling \$22,566.00 and expenses totaling \$0.47. These recommendations were adopted in the Order Approving Quarterly Fee Applications for the Twenty-Eighth Period, dated October 1, 2008 (Docket #19663).

29th Period: Fee Auditor's Combined Final Report Regarding Those Fee Applications with No Fee or Expense Issues for the Twenty-Ninth Interim Period (Docket #20150), filed on or about November 26, 2008, in which we recommended approval of fees totaling \$39,118.00. This recommendation was adopted in the Order Approving Quarterly Fee Applications for the Twenty-Ninth Period, dated December 17, 2008 (Docket #20283).

5. We have reviewed the final reports and orders allowing fees and expenses for the prior interim periods, and we do not believe there is any reason to change any of the amounts awarded for the prior interim periods, except for the Fourteenth Interim Period. In the order submitted to the Court for that period, Latham & Watkins' approved fees were listed as \$93,064.00, but the correct amount of fees was \$81,729.50, for a difference of \$11,334.50. However, Latham & Watkins' final fee request, and our recommended adjustments to Latham & Watkins' final fee request,⁴ both take into account this error. Thus, no additional adjustment to Latham & Watkins' final fee request is necessary.

CONCLUSION

6. Thus, we recommend final approval of \$767,200.50 in fees (\$748,745.20⁵ plus \$18,455.30)⁶ and \$20,102.32 in expenses (\$19,992.80⁷ plus \$109.52)⁸ for Latham & Watkins' services for the Final Application Period.

⁴See paragraph 3.

⁵We note that the total of the fees requested in Latham & Watkins' 15 prior fee applications is \$778,535.00. The Court ordered no reductions for the prior interim periods, which periods are discussed in more detail in paragraph 4, nevertheless, Latham & Watkins seeks approval of only \$748,745.20. We note that the Court has ruled on the First through Fifty-First Interim Periods, but no ruling has been made on the Fifty-Second Interim Period.

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⁸See paragraph 3.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.



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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 29th day of July, 2014.



Warren H. Smith

SERVICE LIST

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